

Message Text

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ORIGIN EA-14

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NSAE-00 RSC-01 L-03 MC-02 SS-15 IGA-02 OMB-01 TRSE-00

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FM SECSTATE WASHDC

TO AMEMBASSY KUALA LUMPUR

SECDEF

CSAF

CINCPAC

C O N F I D E N T I A L STATE 200037

E.O. 11652: GDS

TAGS: MASS, MY

SUBJ: INCREASES IN F-5 RELATED COSTS

REFS: A. KUALA LUMPUR 4149; B. USDAO KUALA LUMPUR 070808Z

SEPT 73 (NOTAL); C. USDAO KUALA LUMPUR 280950Z

AUG 73 (NOTAL)

1. BEGIN SUMMARY. PRICE INCREASES CONNECTED WITH
MALAYSIAN F-5 PROGRAM PRIMARILY RESULT OF GOM REQUESTS FOR
ADDITIONAL ITEMS OR FOR SUBSTITUTION OF MORE EXPENSIVE
ITEMS IN LIEU OF EQUIPMENT ORIGINALLY ORDERED. AS REGARDS
MOBILE TRAINING SETS, RISE IN COSTS ATTRIBUTABLE TO GOM
DESIRE SUBSTITUE ONE VERY COMPLEX SET FOR THREE RELATIVELY
UNSOPHISTICATED ONES, PLUS INFLATIONARY FACTORS. ORIGINAL
LETTER OF OFFER WAS BASED ON SUPPLY OF "LIKE NEW"
AERONAUTICAL EQUIPMENT IN KEEPING WITH USAF PRACTICE WITH
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U.S. AIRCRAFT AND TO HOLD PRICES DOWN. APPARENTLY THIS

NOT SPELLED OUT TO GOM AT TIME. SUBSEQUENT GOM REQUEST FOR "NEW AND UNUSED" EQUIPMENT WILL RESULT IN HIGHER COST. WE REGRET APPARENT LACK OF UNDERSTANDING THIS MATTER, AND OFFER SEND USAF OFFICER TO MALAYSIA TO HELP CLARIFY PICTURE. END SUMMARY.

2. THE MOU BETWEEN GOM AND USG SIGNED ON 30 JUNE 1972 AUTHORIZES (SUBJECT TO LEGISLATIVE AUTHORIZATION AND AVAILABILITY OF FUNDS) UP TO 42 MILLION DOLS OF FMS CREDIT TO FINANCE THE F-5 PURCHASE. THE ORIGINAL LETTERS OF OFFER AND ACCEPTANCE (DD FORM 1513), SIGNED 30 JUNE 1972 SHOW THE ESTIMATED COST OF THE F-5 PROGRAM AT 39,241,011. THE THREE (3) CHANGES TO THESE DD FORMS 1513 PROCESSED TO DATE BY THE DEPARTMENT OF THE AIR FORCE, HAVE INCREASED THE ORIGINAL ESTIMATED COST BY 119,589 DOLS.

3. THE FIRST CHANGE (AMENDMENT NO. 1) REFLECTS USAF/RMAF DECISIONS ON AGE AND SPARE PARTS REACHED AT THE F-5B/E DEFINITIZATION CONFERENCE HELD FROM 29 NOVEMBER THROUGH 8 DECEMBER 1972, AT KELLY AIR FORCE BASE, SAN ANTONIO, TEXAS; IT DOES NOT CHANGE THE TOTAL ESTIMATED COST OF THE F-5 PROGRAM (39,241,011 DOLS). THE SECOND CHANGE (AMENDMENT NO. 2), MADE IN ORDER TO SIMPLIFY D/AF ACCOUNTING, BASICALLY TRANSFERS COSTS ORIGINALLY PROGRAMMED SEPARATELY AS TECHNICAL DATA TO THE BASIC F-5 AIRCRAFT ACCOUNTS; IT ALSO MAKES NO CHANGE IN THE TOTAL ESTIMATED F-5 PROGRAM COST. THE THIRD CHANGE (LETTER OF OFFER DATED 14 APRIL 1973) INCREASES THE TOTAL ESTIMATED COST OF THE F-5 PROGRAM BY 119,589 DOLS, REPRESENTING MAINLY THE COST OF AN ADDITIONAL J85-13 ENGINE ORDERED BY THE GOM.

4. CERTAIN OTHER CHANGES TO THE ORIGINAL EXECUTED DD FORM 1513 REQUESTED BY GOM (E.G., PARACHUTES, RUNWAY ARRESTING BARRIER, TACAN EQUIPMENT, INS, MTS, ETC.) ARE IN PROCESS AND ARE AWAITING FINAL DECISION BY GOM. EVERY EFFORT IS BEING MADE TO KEEP COST OF F-5 PROGRAM TO A MINIMUM BUT ALL GOM REQUESTS FOR ADDITIONAL ITEMS OR FOR SUBSTITUTION OF MORE COMPLEX ITEMS IN LIEU OF EQUIPMENT ORIGINALLY ORDERED, CAN RESULT IN SIGNIFICANT INCREASES TO THE TOTAL F-5 PROGRAM COST.

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5. THE SUBJECT OF WHY THE TWO (2) MOBILE TRAINING SETS (MTS) CURRENTLY DESIRED BY GOM COST MORE THAN THE FOUR (4) MTS ORIGINALLY ORDERED (PARA 2, REF A) IS DISCUSSED IN DETAIL IN THE CSAF REPLY TO REFS B AND C. BASICALLY THE INCREASE IS CAUSED BY THE GOM SUBSTITUTION OF ONE (1) VERY COMPLEX MTS (TFE 23) FOR THREE (3) RELATIVELY UNSOPHISTICATED MTS (TFE 23, 32, 36), COUPLED WITH INFLA-

TIONARY FACTORS.

6. THE SUBJECT OF SUBSTITUTION OF "LIKE NEW" RECONDITIONED USG-FURNISHED AERONAUTICAL EQUIPMENT (GFAE) FOR "NEW AND UNUSED" GFAE, IS ALSO ADDRESSED IN THE CSAF REPLY TO REFS B AND C. SINCE AS A MATTER OF POLICY AIR-CRAFT MANUFACTURED FOR THE USAF HAVE "LIKE NEW" GFAE INSTALLED, IF AVAILABLE, AND IN ORDER TO MINIMIZE THE COST OF THE F-5 PROGRAM, THE ORIGINAL DD 1513S WERE PREDICATED ON THE USE OF "LIKE NEW" GFAE. APPARENTLY THIS NOT SPELLED OUT TO GOM AT TIME. SUBSEQUENTLY, THE GOM EXPRESSED A DESIRE FOR "NEW AND UNUSED" GFAE AND THIS

DESIRE WAS EMBODIED IN THE F-5 PROGRAM DIRECTIVE. IN ADDITION, CSAF FURNISHED USDAO KUALA LUMPUR (CSAF 291503Z JUNE 73 AND CSAF 222049Z AUG 73) WITH DATA ON ESTIMATES OF COSTS OF TWO (2) CATEGORIES OF GFAE ITEMS IN QUESTION, I.E., "LIKE NEW" COST VS "NEW AND UNUSED" COST. IF GOM ELECTS TO HAVE "NEW AND UNUSED" GFAE INSTALLED, THE ITEMS WILL HAVE TO BE PURCHASED AND HIGHER COSTS WILL RESULT. WE REGRET THIS APPARENT MISUNDERSTANDING.

7. AS A RELATED MATTER, LT. COL. G.C. SUE, HQ USAF PROJECT OFFICER, IS AVAILABLE, UPON REQUEST WITH REASONABLE NOTICE, TO VISIT EMBASSY/RMAF FOR ABOUT ONE WORK WEEK TO ADVISE AND ASSIST WITH CURRENT SITUATION AND PLANS FOR THE F-5 PROGRAM. MOREOVER, THE RMAF MAY WISH TO CONSIDER ASSIGNMENT OF AN OFFICER KNOWLEDGEABLE ON F-5 MATTERS TO WRIGHT PATTERSON AIR FORCE BASE, OHIO TO ASSIST IN THE COMPLEX AND DETAILED EXCHANGE OF INFORMATION ON THIS SUBJECT.

8. DEFENSE CONCURS. KISSINGER

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